

The Compensation Function of the Future: Looking Ahead to 2020

WorldatWork and Salary.com gathered data to examine how the compensation function is evolving to meet the demands of the business environment of tomorrow. Technology is changing, which means work is changing. New jobs are emerging, the skills needed to succeed in existing jobs are changing, new work arrangements and gig work are taking hold, and it's more urgent than ever to attract and retain top talent. Compensation professionals are on the front lines of these changes, with the ability to make or break an organization's ability to evolve today and keep pace tomorrow.

Executive Summary

- Currently, market pricing jobs is viewed as the most important compensation task. While there may be expectations to see growth in the importance of AI, machine learning and predictive analytics in their compensation processes, respondents expect activities related to creating, analyzing, interpreting and/or presenting analytic results, pay equity and transparency to top the list of their most important responsibilities in two to three years.
- The profile of a successful compensation professional is changing. Across all industries, respondents expect to hire and promote more candidates with liberal arts, finance and HR-related degrees in two to three years than they do now.
- Business acumen is expected to become the most important attribute for entry- to mid-level compensation professionals in the future.
- Current compensation staffing ratios show that there is approximately one compensation professional for every 243 employees, and 1 in 3 expect this ratio to go up in the near future.
- More than 8 in 10 respondents expect reporting and analytics to take less time in the future — possibly due to increased automation — while nearly 4 in 10 expect job matching, pricing and participating in surveys to take more time in two to three years than it does now.
- Respondents expect to price fewer jobs that require market composites in the next few years — possibly because they're doing that work now, so those jobs should exist in salary surveys in the future.
- Job leveling and personal certifications are expected to be less important in job descriptions of the future.
- Despite many claims that AI is the wave of the future, the majority of respondents reported that their organizations haven't even considered using it yet, though 1 in 3 reported considering it.

Compensation Processes in 2020: More Predictive, More Transparent.

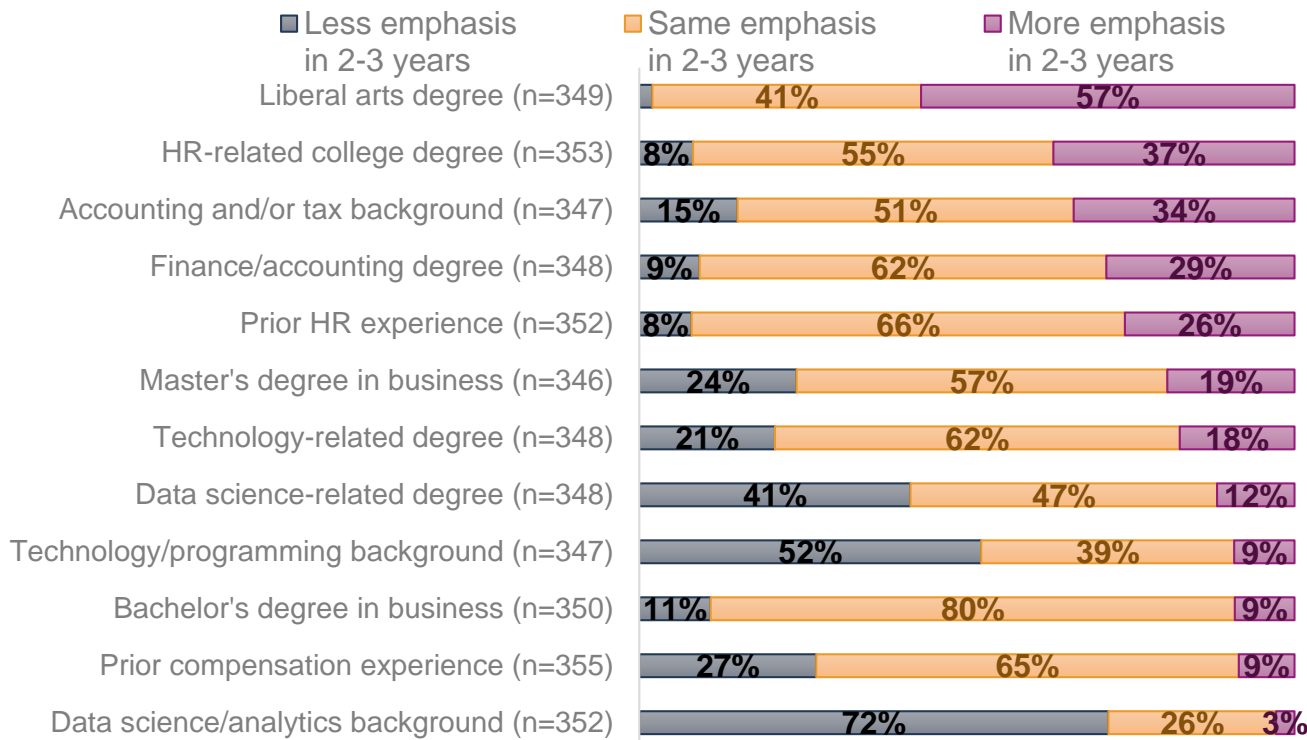
Importance of Compensation Responsibilities	Today		In 2-3 Years		Change in Importance
	N	Mean	N	Mean	
Managing AI and predictive analytics processes	359	1.98	359	3.21	1.23
Implementing changes based on recommendations from AI or machine-learning tools	359	1.88	358	2.99	1.11
Creating and managing predictive models	360	2.65	358	3.68	1.03
Training managers to have pay conversations	360	3.35	359	4.22	0.87
Activities associated with pay transparency	358	3.05	357	3.86	0.81
Interpreting and/or presenting analytic results	360	3.6	357	4.35	0.75
Creating and analyzing reports and analytics	361	3.58	358	4.29	0.71
General pay communications	360	3.36	358	4.01	0.65
Determining value of contingent/contract work	360	2.27	357	2.85	0.58
Identifying or addressing pay inequities	359	3.9	357	4.32	0.42
Designing performance management programs	359	3.05	356	3.44	0.39
Designing or administering variable pay programs (e.g., bonuses, incentives)	360	3.73	358	4.11	0.38
Designing or administering sales compensation programs	358	2.78	356	3.08	0.3
Designing or administering executive compensation programs	357	3.51	356	3.78	0.27
Administering the performance management process	358	3.11	356	3.28	0.17
Creating merit matrices	363	3.16	359	3.27	0.11
Determining the value of full- or part-time jobs using method(s) other than market pricing (e.g., slotting)	362	3.19	357	3.29	0.1
Classifying jobs under FLSA	359	3.57	357	3.67	0.1
Salary budget planning/merit budget recommendations	362	4.13	357	4.16	0.03
Complying with overtime regulations	360	3.77	357	3.79	0.02
Setting or adjusting salary structures, grades and/or bands	361	4.07	359	4.05	-0.02
Administering pay increases	362	4.15	357	4.1	-0.05
Participating in surveys	361	3.63	356	3.54	-0.09
Pricing full- or part-time jobs using salary surveys	364	4.3	362	4.21	-0.09

Respondents see big changes coming to their use of AI, machine learning and predictive analytics, as well as increased responsibility to interpret the results of these processes for the business.

In two to three years, respondents expect activities related to pricing, pay equity and pay transparency to top the list of their most important responsibilities.

As communication and pay transparency responsibilities come to the forefront, compensation professionals expect to hire and promote more candidates with liberal arts degrees.

Importance of a candidate's background to hiring/promotion

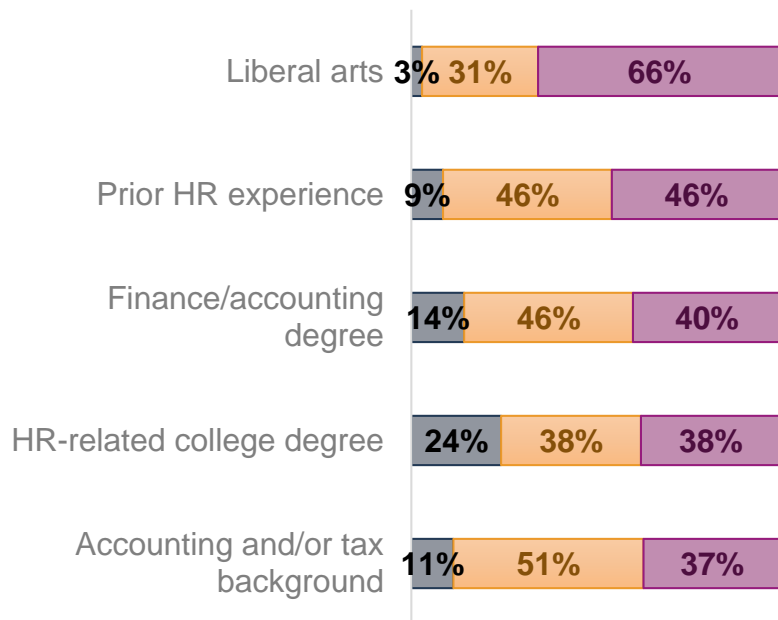


Despite an increasing focus on new technologies, respondents expect to place less emphasis on candidates with data science and programming backgrounds, perhaps anticipating that technology will become easier to use as it advances.

Respondents in the Health-Care and Finance and Insurance industries reported a higher than average projected future emphasis on liberal arts.

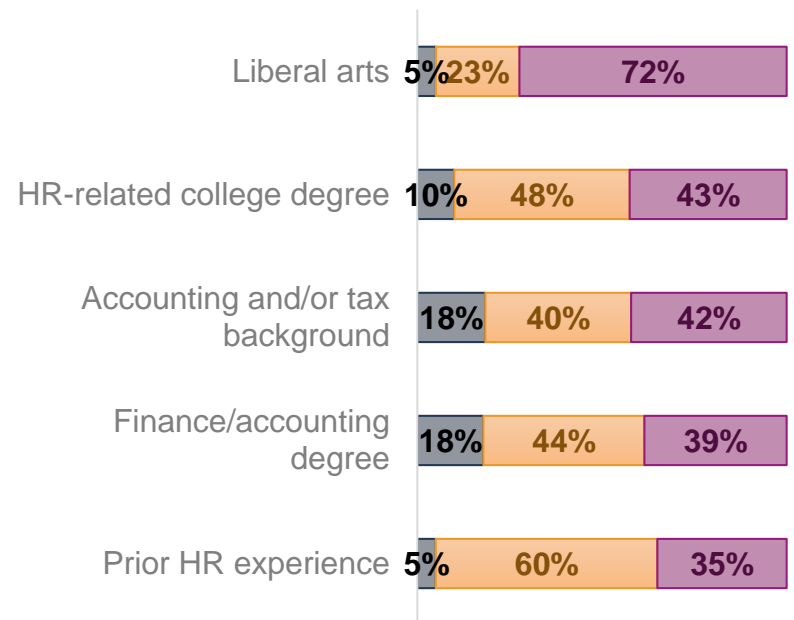
Health Care

■ Less emphasis in 2-3 years
 ■ Same emphasis in 2-3 years
 ■ More emphasis in 2- years



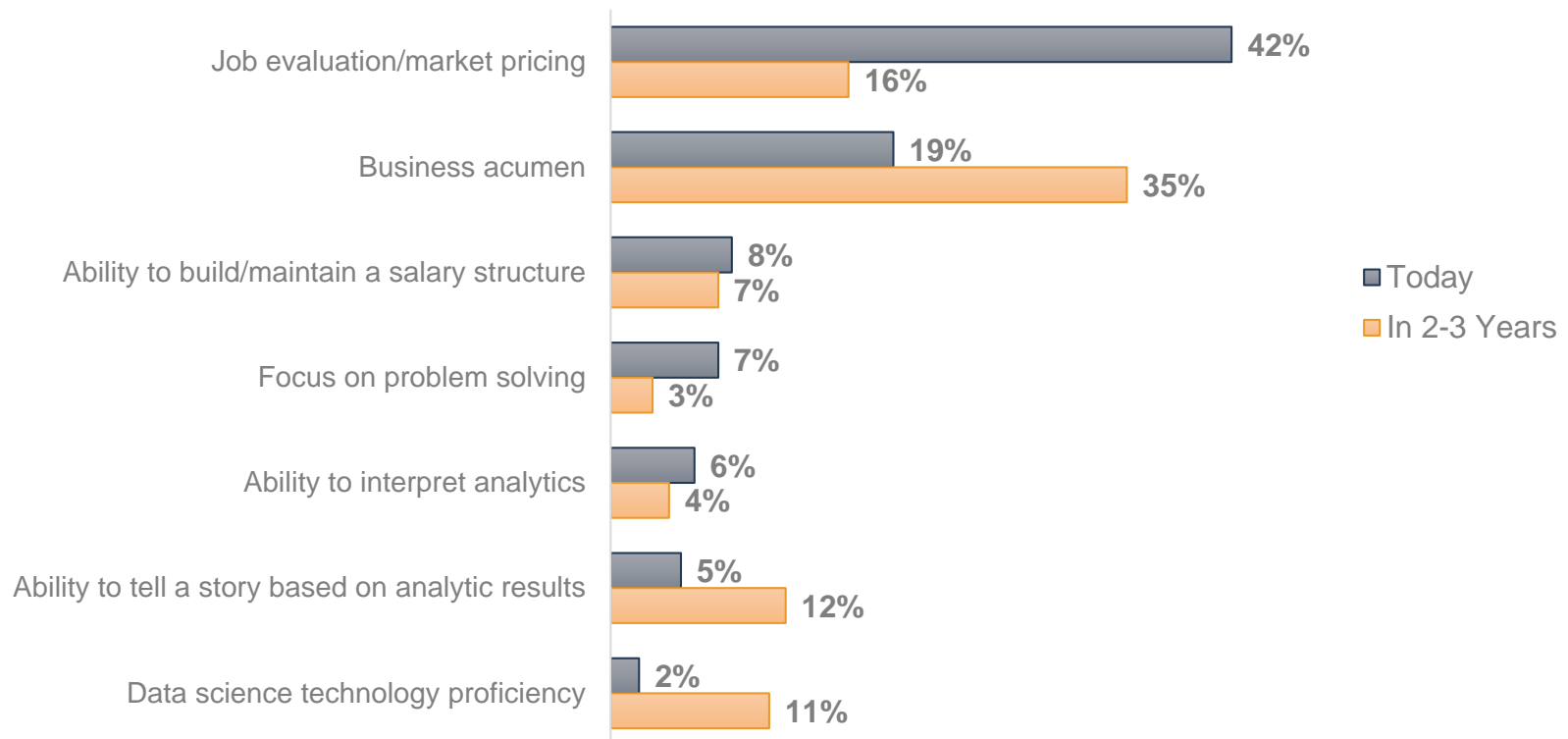
Finance and Insurance

■ Less emphasis in 2-3 years
 ■ Same emphasis in 2-3 years
 ■ More emphasis in 2- years



While job evaluation and market pricing currently top the list of critical attributes for entry-level compensation professionals, general business acumen is expected to become more important in the next few years as compensation departments look to align with broader business objectives.

Most Critical Attributes for Entry- to Mid-Level Compensation Professionals
(n=359)



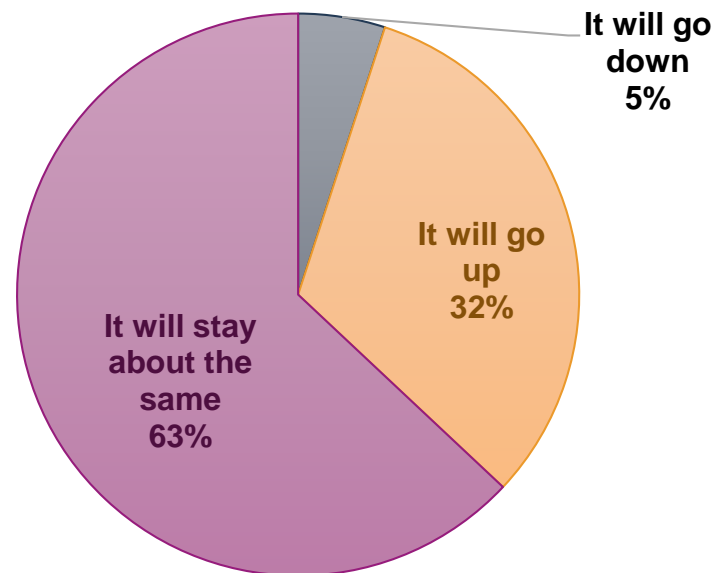
Note: Only items with 5% or higher response rate shown here.

A majority of respondents expect the compensation staff ratio to stay the same in the next few years, although about 1 in 3 expect it to grow.

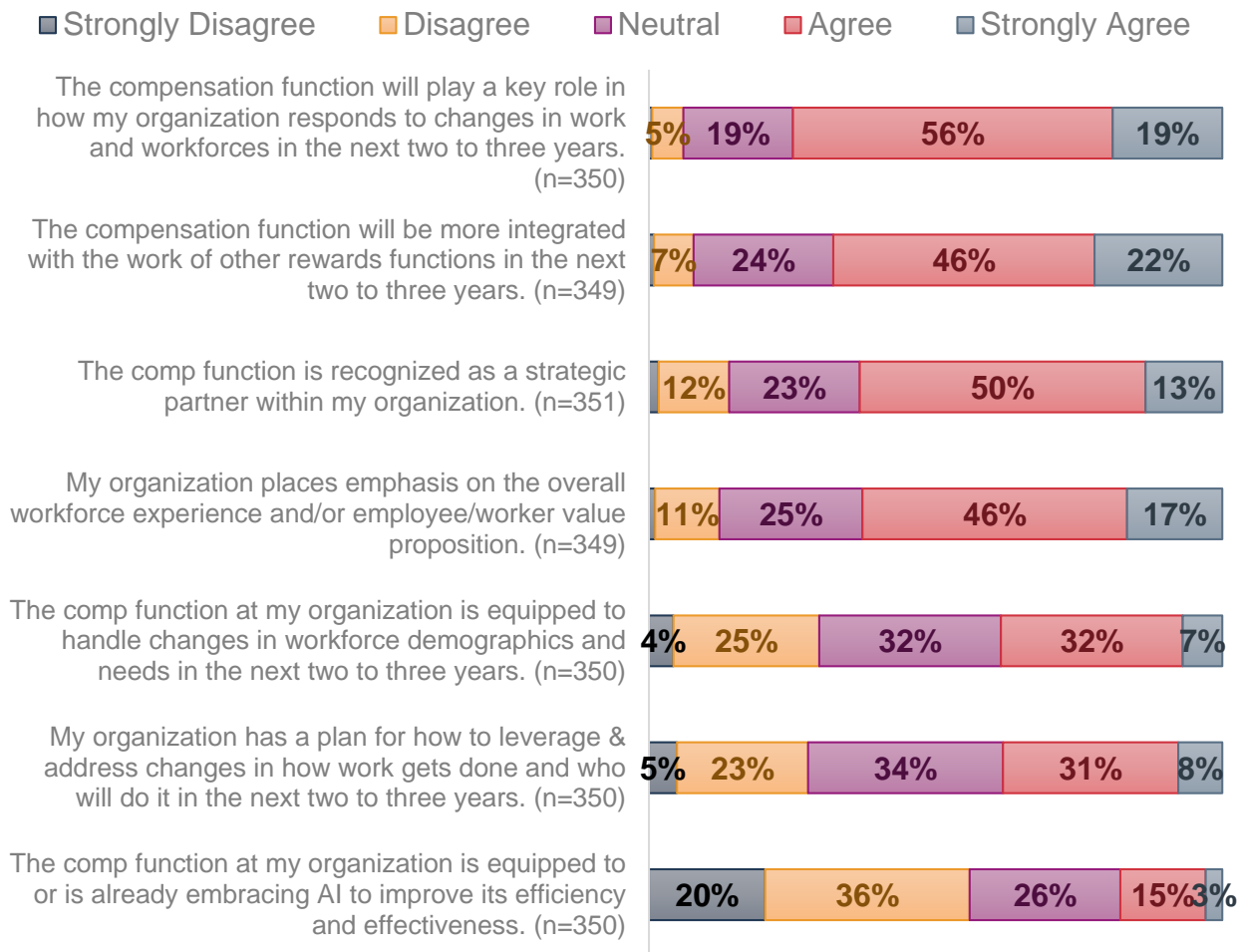
Current Compensation Staff Ratio
(n=326)

1 : 243

Expectation for Compensation Staff Ratio in the Next Two to Three Years
(n=303)



A majority of respondents believe that the compensation function is seen as a strategic partner in their organization.

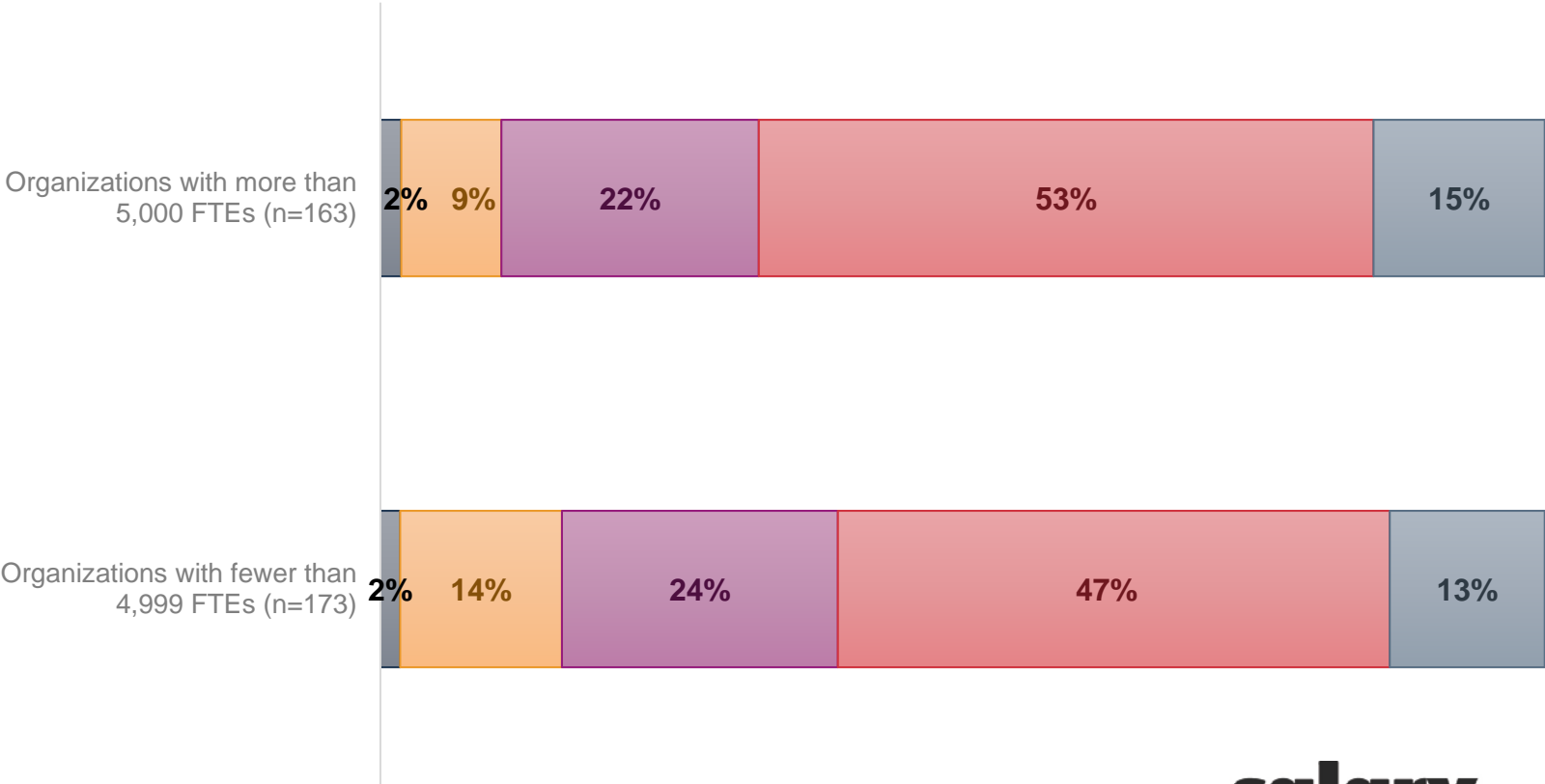


A majority of respondents believe that in the future, they will be a driver of how the organization will respond to future changes in work. Respondents also noted that the compensation function will need to work closely with other rewards functions to address these changes.

Respondents at larger organizations are more likely to see the compensation function as a strategic partner.

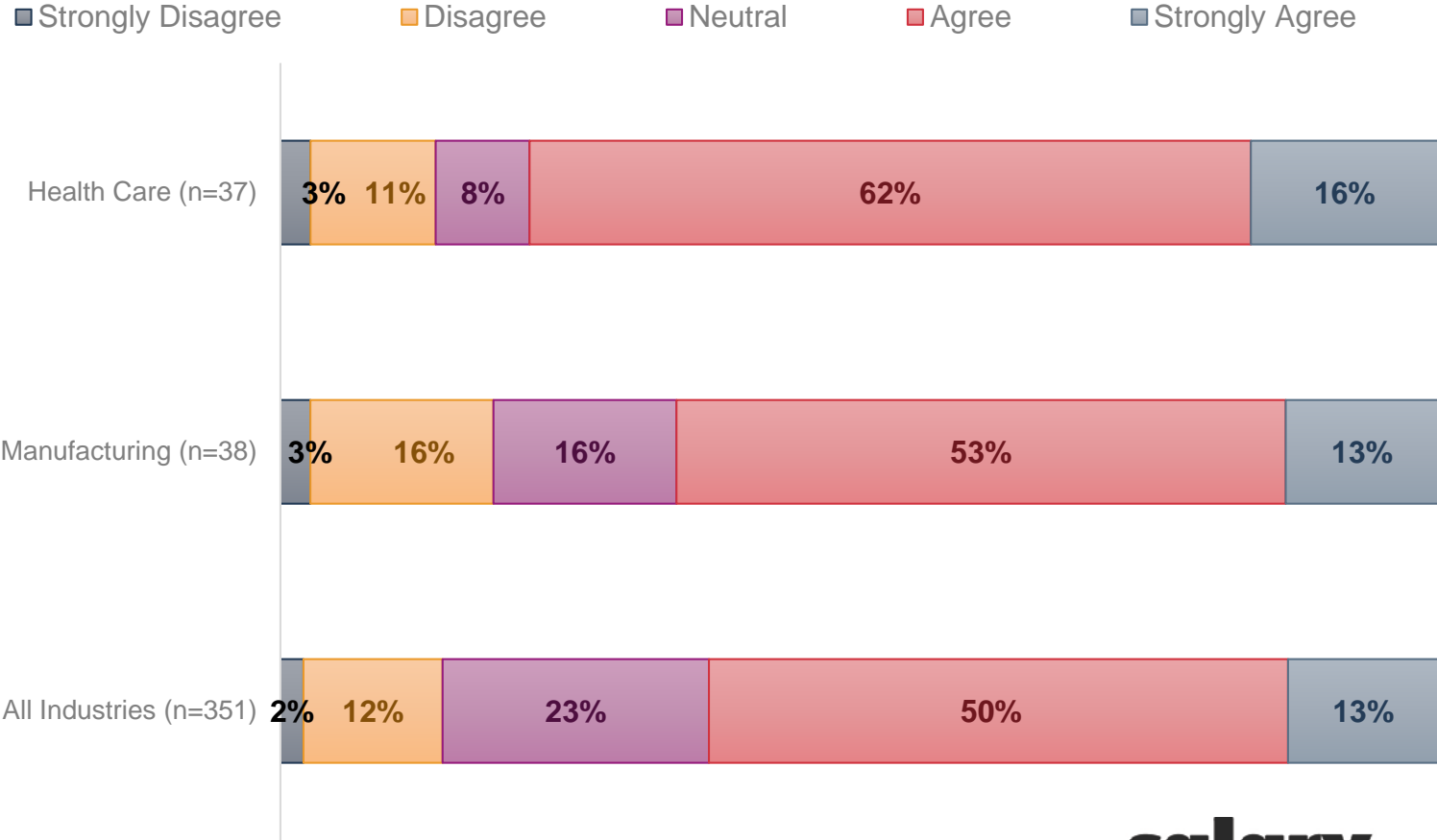
The compensation function is recognized as a strategic partner in my organization

■ Strongly Disagree ■ Disagree ■ Neutral ■ Agree ■ Strongly Agree



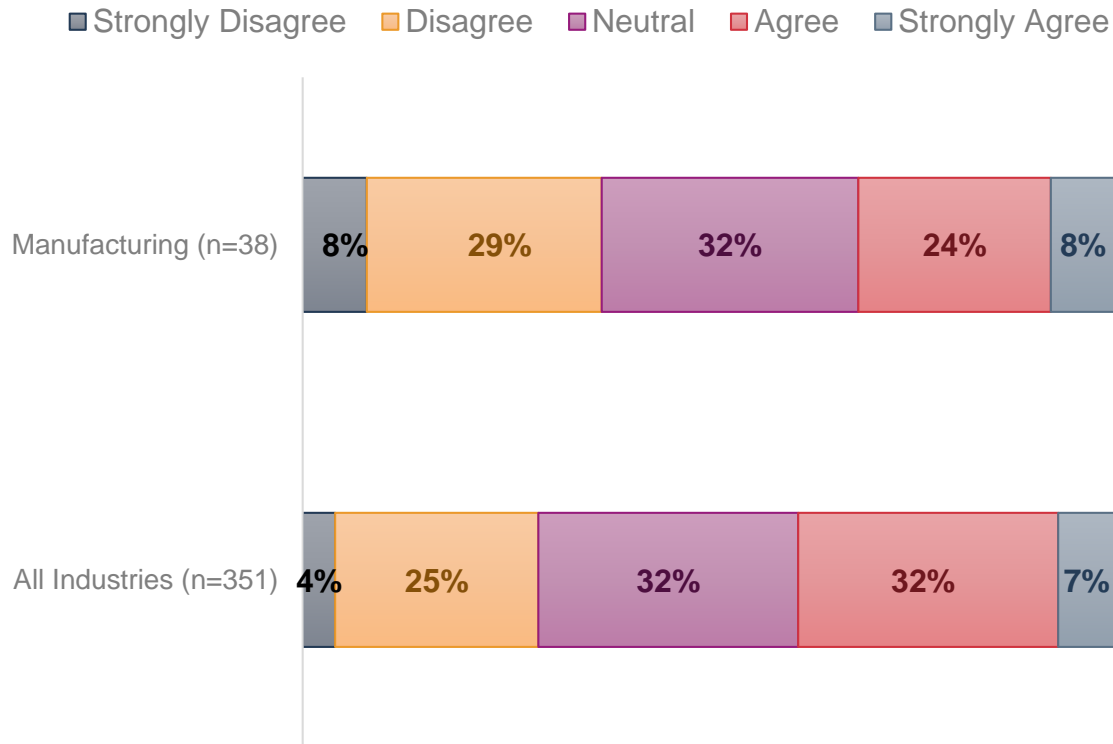
More respondents see compensation as a strategic partner in Health-Care and Manufacturing industries.

The compensation function is recognized as a strategic partner in my organization



The rapid evolution of the Manufacturing industry is putting pressure on the compensation function.

The comp function at my organization is equipped to handle changes in workforce demographics and needs in the next two to three years.



Respondents in the Manufacturing industry lag respondents in other industries in feeling ready to address changes in future workforce demographics and needs.

Across all industries, staffing is the biggest barrier to meeting the needs of the evolving workforce, followed closely by funding.

Staffing (52)

- Attracting and retaining adequate skills and knowledge
- Small staffing resources

Funding (46)

- Budget restrictions

Technology (37)

- IT support
- Outdated or nonexistent framework, systems or tools
- Slow technology growth/slow to adapt new technology

Leadership understanding and buy-in (30)

Data (15)

- Access
- Quality
- Relevance

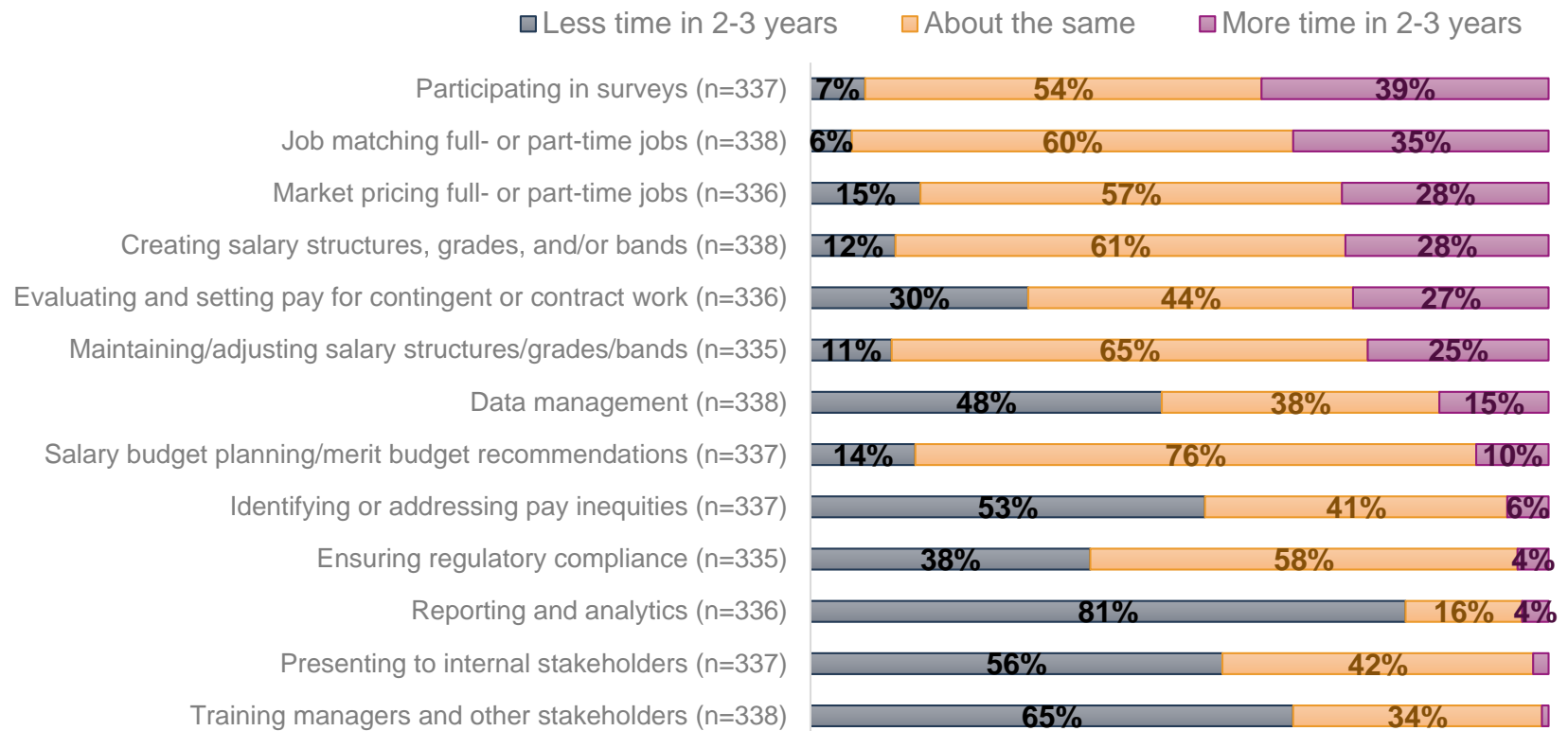
Time (8)

- Managing priorities

Culture (7)

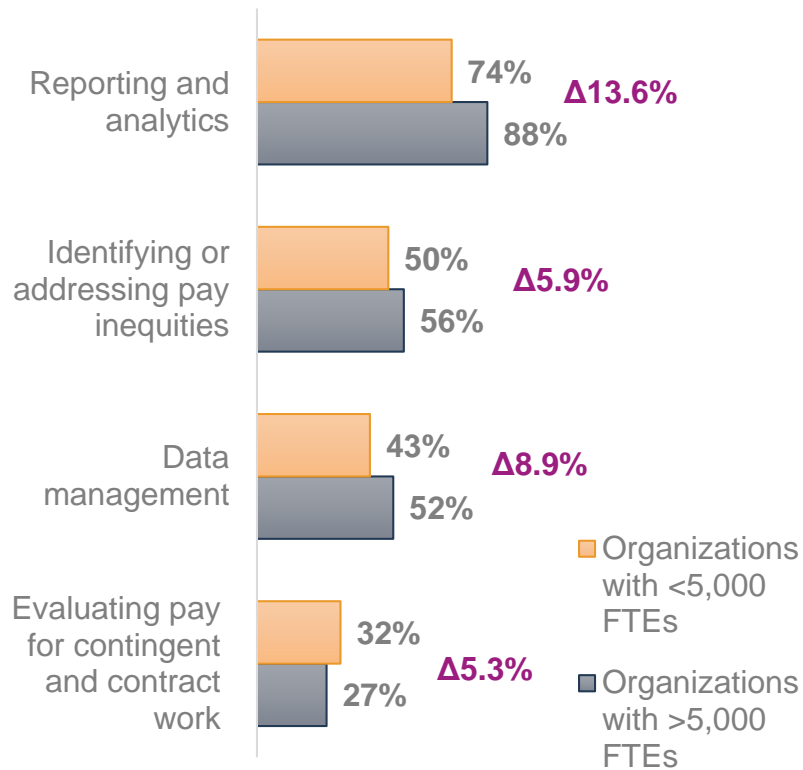
Respondents expect that reporting & analytics will take less time in the future, while participating in surveys and job matching and pricing will take more time.

Expectation of Time Spent on Compensation Tasks in Two to Three Years

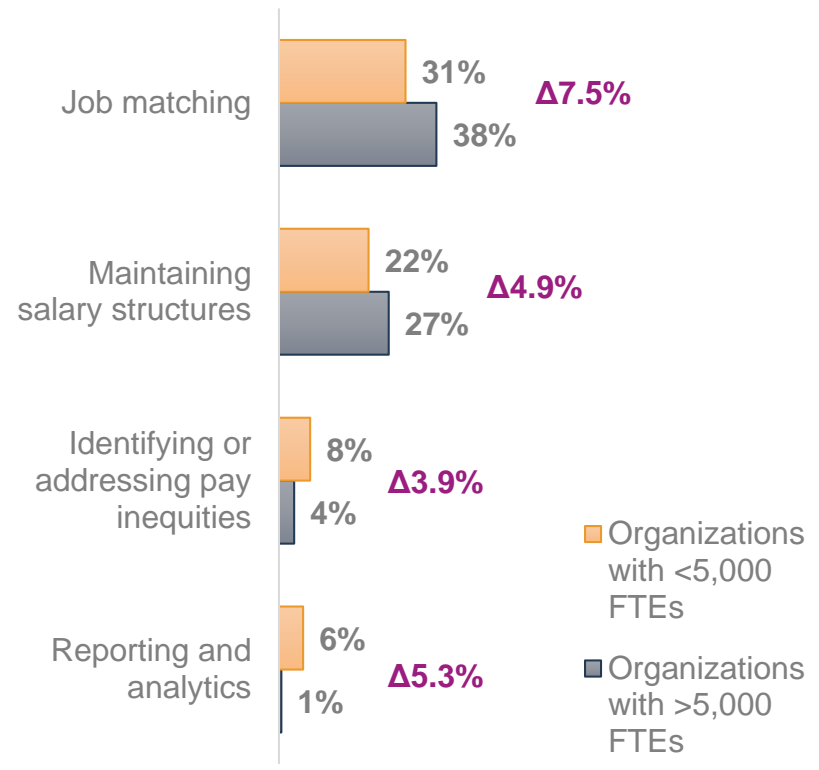


Organizations of different sizes see the future of compensation work very differently.

Tasks Expected to Take Less Time in Two to Three Years



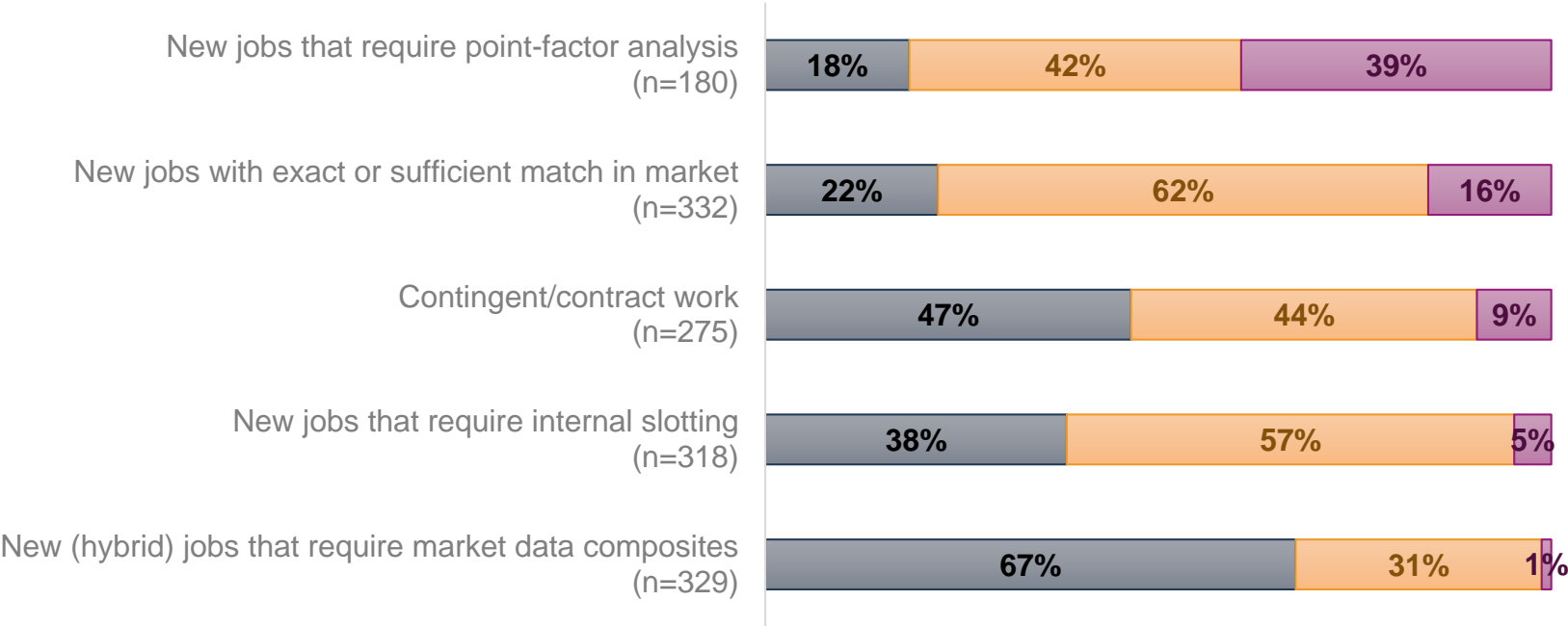
Tasks Expected to Take More Time in Two to Three Years



In the future, compensation professionals expect that they'll have to use point-factor analysis for more new jobs than they currently do, but believe market data composites will be less commonly used.

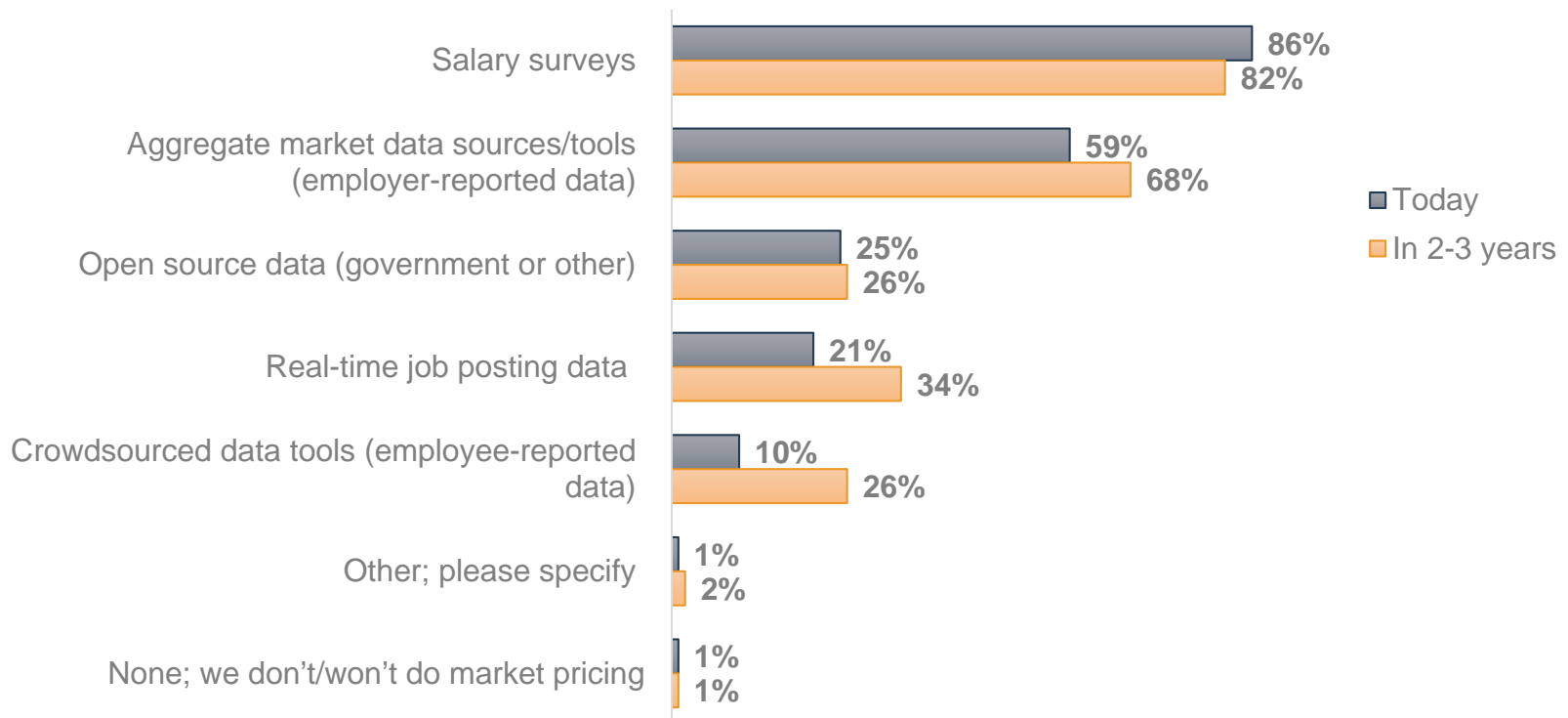
Expected Number of Jobs the Compensation Department Will Need to Price in the Future

■ Less than today ■ About the same as today ■ More than today



While salary surveys are expected to remain the largest source of data for market pricing in the future, other methods are expected to gain traction.

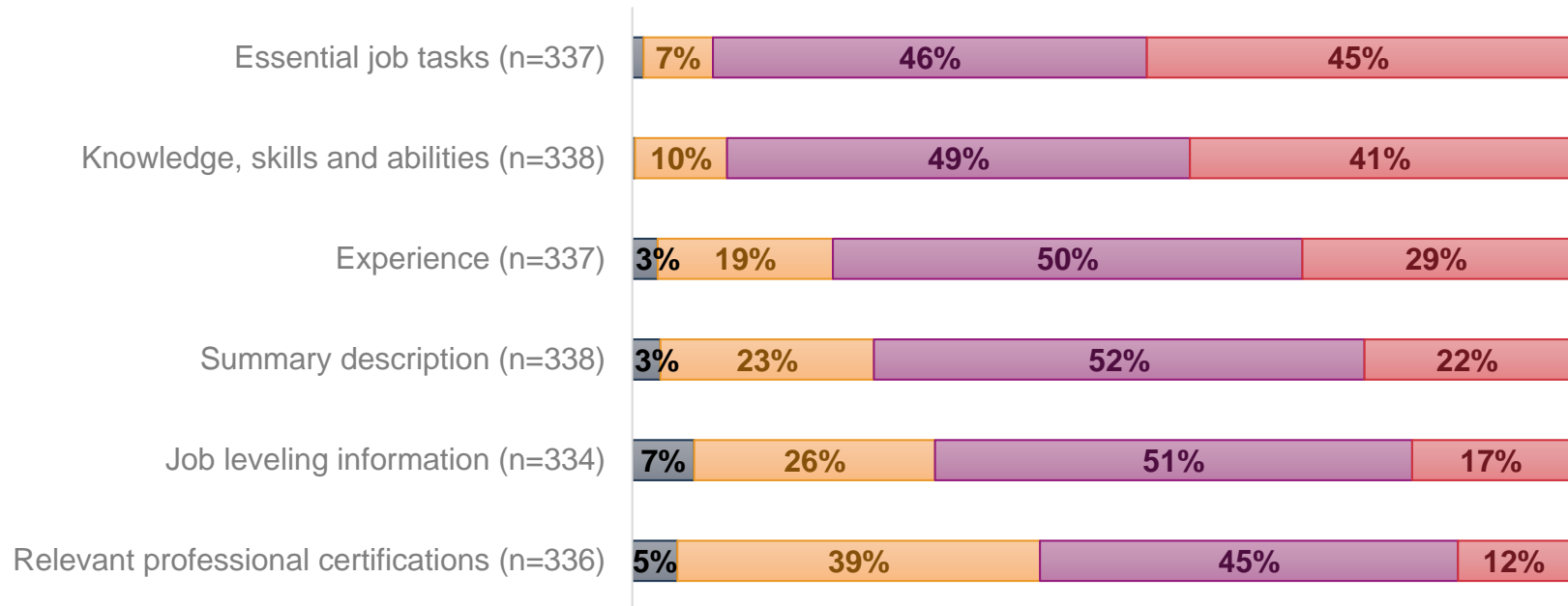
Sources of Salary Data Used for Market Pricing
(n=338)



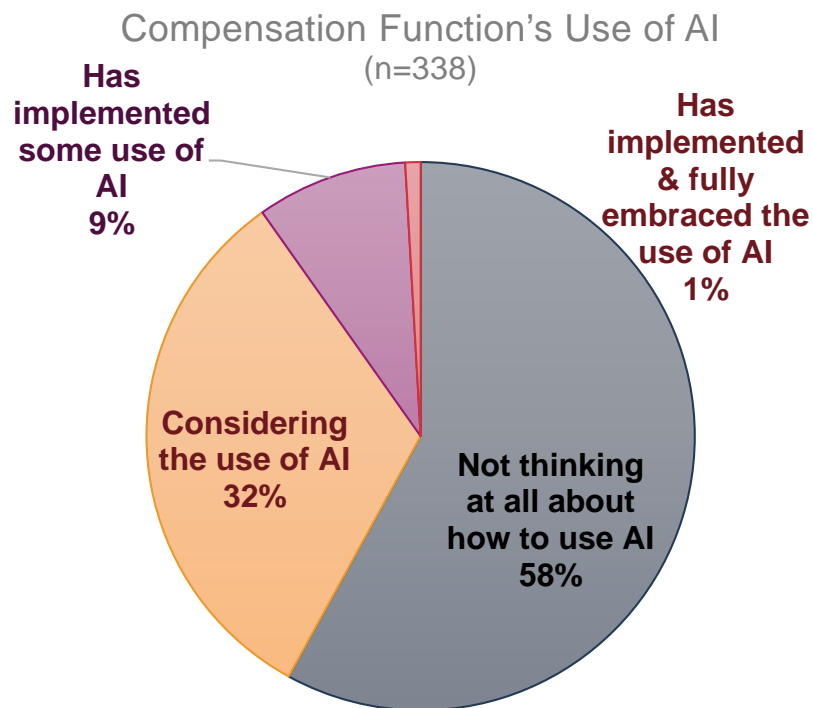
Job tasks, along with the skills necessary to complete the job, will remain critical to job descriptions, while leveling information and certifications will become less so.

Importance of Elements of Job Descriptions in Two to Three Years

■ Irrelevant ■ Somewhat helpful ■ Important ■ Critical



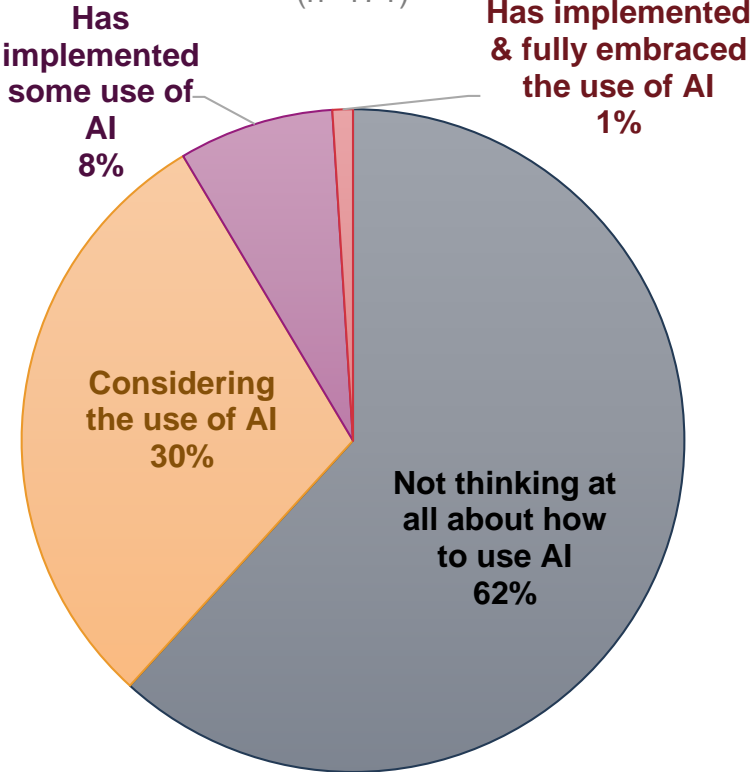
The vast majority of organizations aren't using artificial intelligence to assist the compensation function yet, although health-care organizations lead the pack when it comes to implementing and embracing the use of AI.



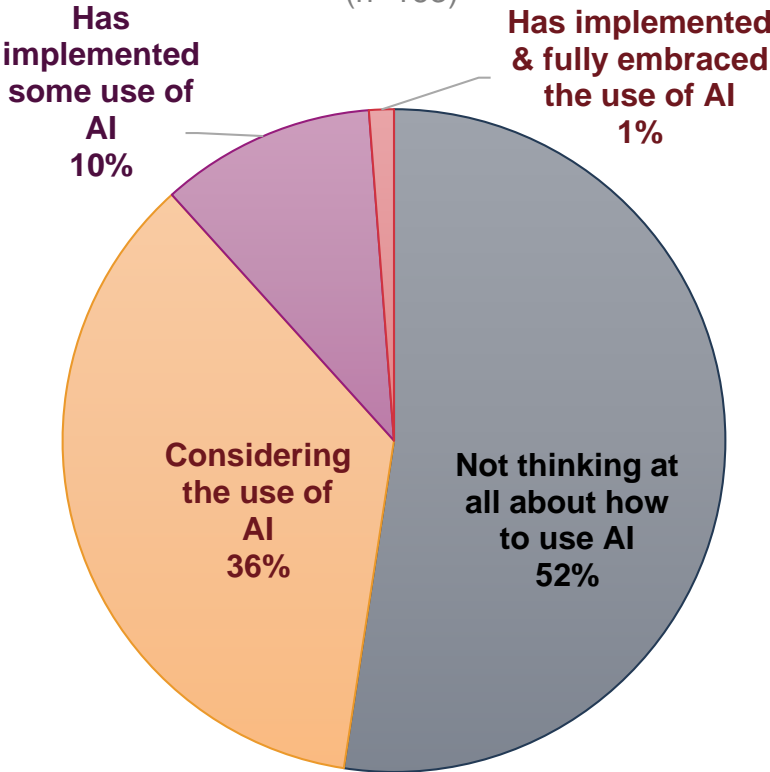
Organizations in the Health-Care industry lead the pack when it comes to implementing and embracing the use of AI, with 20% of compensation functions reporting that they have already implemented some form of AI in their comp processes.

Organizations with fewer than 5,000 employees lag large enterprise businesses in their adoption of AI.

Comp Function's Use of AI in Businesses with <5,000 FTEs (n=171)

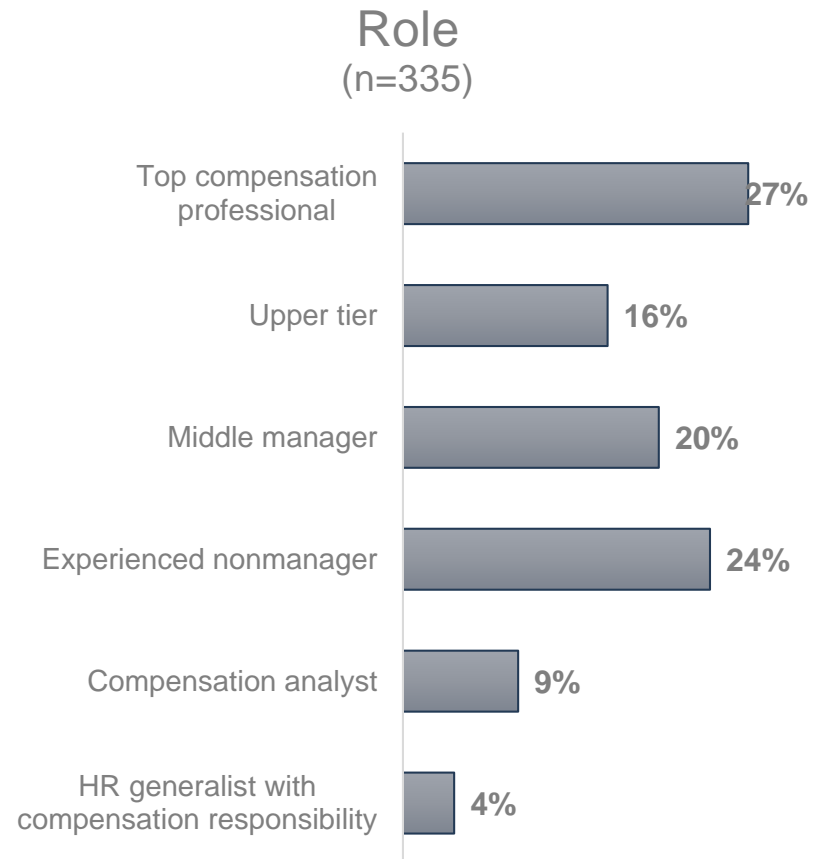
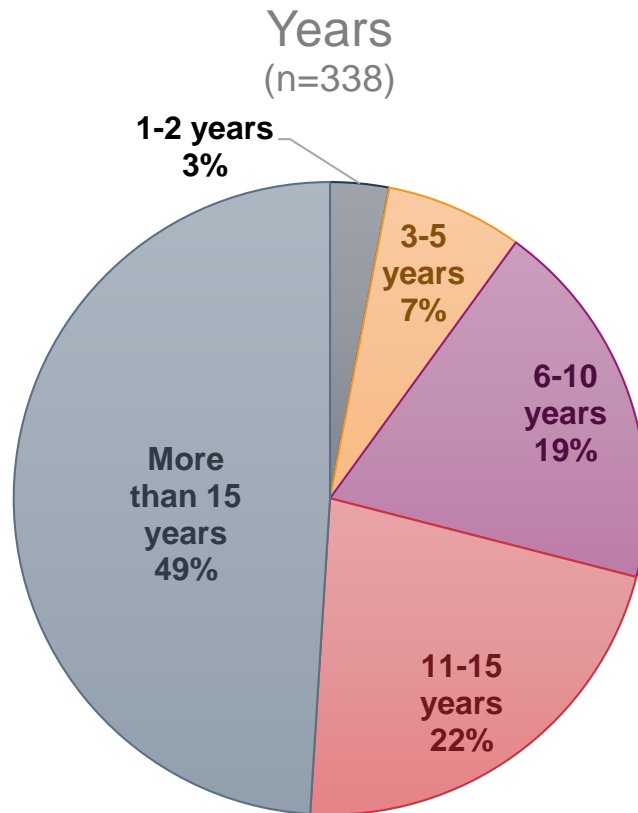


Comp Function's Use of AI in Businesses with >5,000 FTEs (n=163)

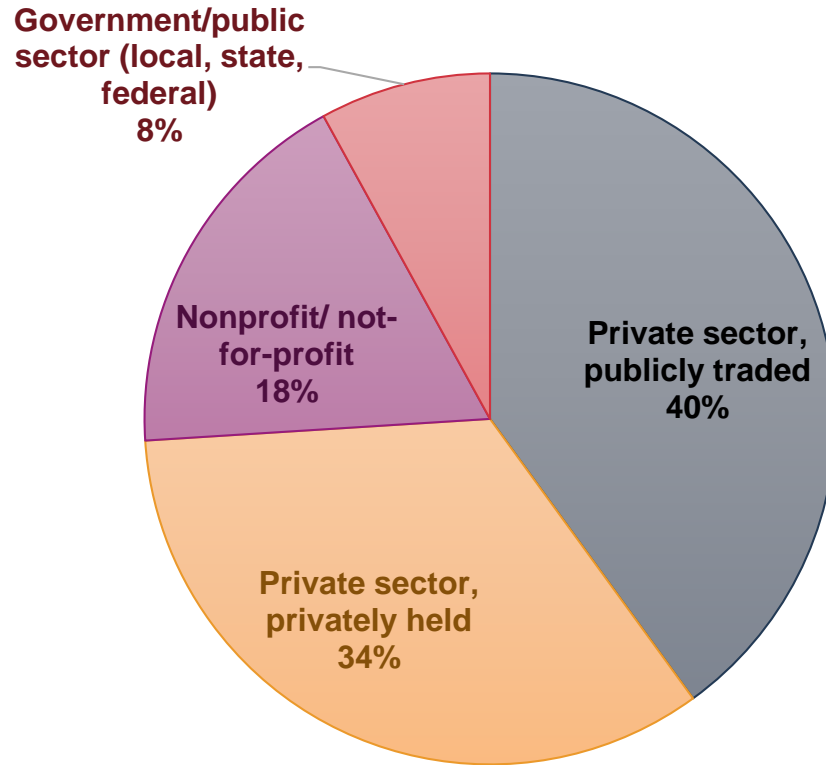


Demographics

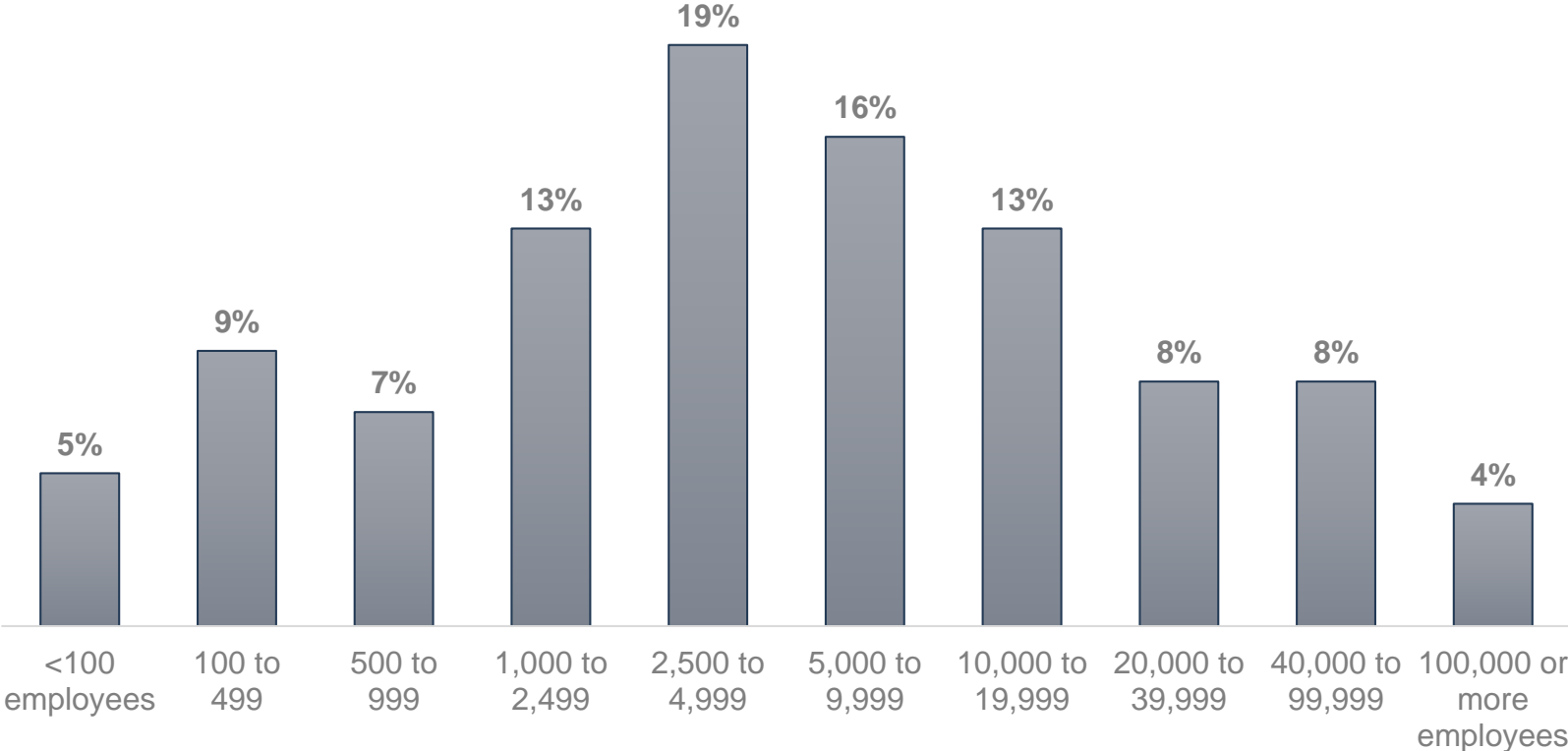
Experience



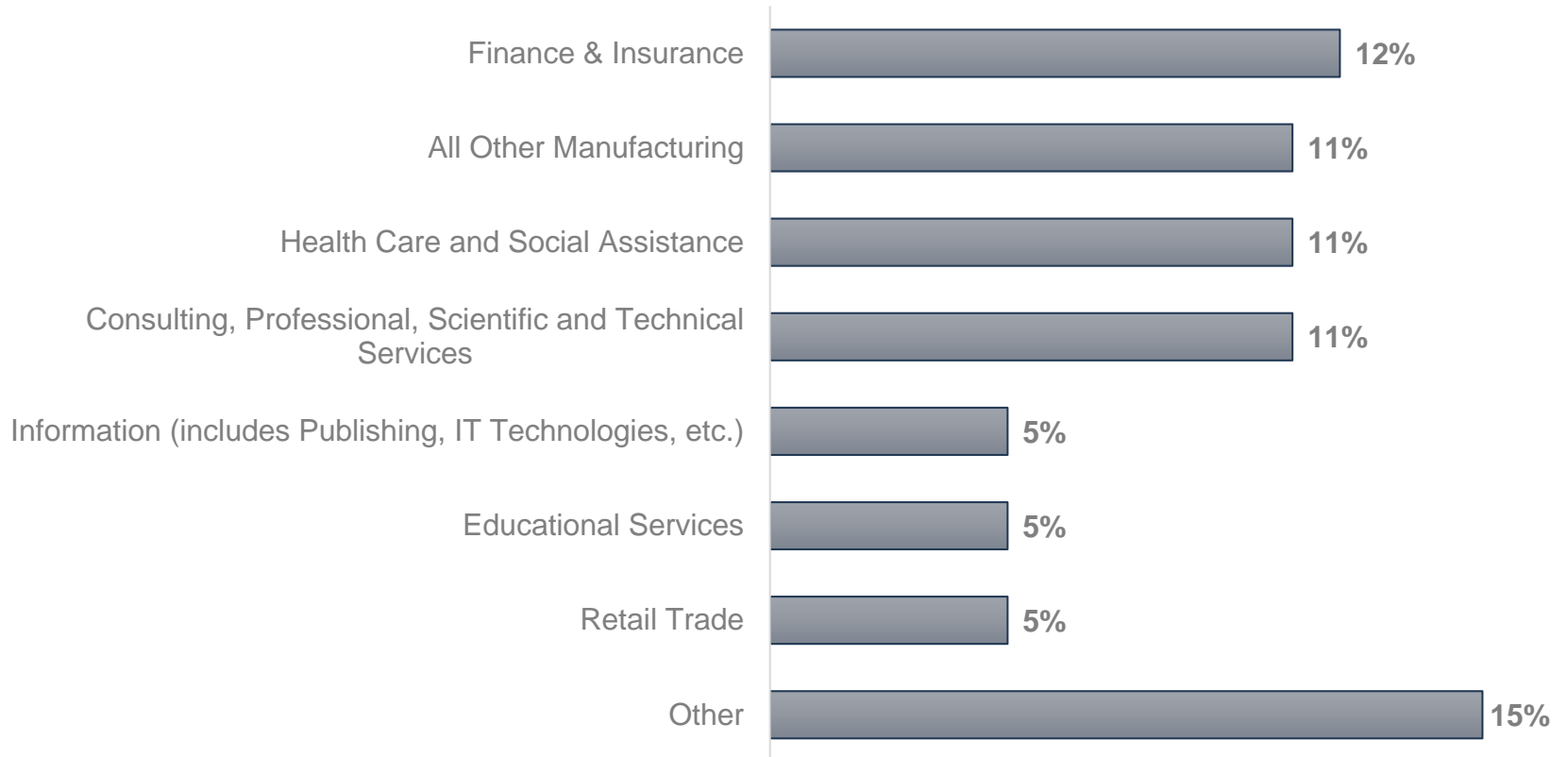
Sector (n=337)



Organization Size (n=336)



Industry (n=337)



Methodology

This report summarizes the results of a June 2018 survey of WorldatWork members that gathered data to examine how compensation function is evolving to meet the demands of the business environment of tomorrow.

On June 20, 2018, survey invitations were sent electronically to 5,172 WorldatWork members. The survey closed on July 9, 2018, with 486 responses. The dataset was cleaned, resulting in a final dataset of 364 responses. In order to provide the most accurate data possible, data was cleaned and analyzed using statistical software. Any duplicate records were removed.

The demographics of the survey sample and the respondents are similar to the WorldatWork membership as a whole. The typical WorldatWork member works at the managerial level or higher in the headquarters of a large company in North America. The frequencies or response distributions listed in the report show the number of times or percentage of times a value appears in a dataset. Due to rounding, frequencies of data responses provided in this survey may not total exactly 100%.

The full text of the questionnaire can be found [here](#). A list of participating organizations can be found [here](#).

Definitions

- **Compensation Function:** For purposes of this survey, “compensation function” represents the department, unit(s) or individuals tasked with the design or administration of compensation programs, including all aspects of fixed and variable pay (base pay, bonuses, incentives and equity). This includes all levels of dedicated compensation professionals (e.g., analyst, managers), as well as HR generalists, compensation/benefits professionals (with dual responsibility), and others who may work on the design or administration of compensation programs.
- **Artificial Intelligence (AI):** For purposes of this survey, “artificial intelligence” is defined as the use of computers or computer-controlled robots to perform tasks or intellectual processes typically performed by a human. Uses in HR and compensation include but are not limited to automation of repetitive tasks, delivering more personalized employee experiences, enhancing people analytics and removing biases.

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